

CITY OF SAN DIEGO/METROPOLITAN TRANSIT DEVELOPMENT BOARD AUTHORITY ANNUAL FINANCIAL REPORT

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CITY OF SAN DIEGO/METROPOLITAN TRANSIT DEVELOPMENT BOARD AUTHORITY ROSTER OF OFFICIALS

BOARD OF GOVERNORS

Leon Williams

OTHER OFFICIALS

Ex-Officio Attorney

Ex-Officio Deputy City Manager

Ex-Officio Auditor and Comptroller

Ex-Officio Treasurer

Casey Gwinn

Patricia T. Frazier

Ed Ryan

Mary Vattimo

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THE CITY OF SAN DIEGO

November 27, 2002

Honorable Mayor, City Council, and City Manager City of San Diego, California

This Annual Financial Report covers financial activities of the City of San Diego/Metropolitan Transit Development Board Authority for the fiscal year ended June 30, 2002, and is prepared in accordance with provisions of §24 and 25 of the Joint Exercise of Powers Agreement between the City of San Diego and the Metropolitan Transit Development Board, dated September 28, 1987.

The covenants entered into by the City of San Diego/Metropolitan Transit Development Board Authority, relating to the outstanding revenue bonds and certificates of participation issued, have been complied with in all respects.

Respectfully submitted,

Ed Ryan

Ex-Officio Secretary/Treasurer



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FINANCIAL SECTION





CALDERON, JAHAM & OSBORN

AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors City of San Diego/Metropolitan Transit Development Board Authority San Diego, California

We have audited the accompanying component unit financial statements of the City of San Diego/Metropolitan Transit Development Board Authority (the "Authority") as of and for the year ended June 30, 2002, as listed in the foregoing table of contents. These component unit financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such component unit financial statements present fairly, in all material respects, the financial position of the Authority as of June 30, 2002 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2002, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in accordance with this report in considering the results of our audit.

As described in Note 1 to the basic financial statements, the Authority adopted Statements of the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and, No. 38, Certain Financial Statement Note Disclosures.

The scope of our audit did not include the supplemental information listed in the foregoing table of contents. Such information has not been subjected to the auditing procedures applied in the audit of the component unit financial statements and, accordingly, we express no opinion on it.

November 27, 2002

Calduan, Johan + Osborn

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of San Diego/Metropolitan Transit Development Board Authority (the "Authority"), we offer readers of the Authority financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on page VII of this report.

As of July 1, 2001, the Authority implemented Governmental Accounting Standards Board ("GASB") Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", GASB Statement No. 37 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus", and GASB Statement No. 38 "Certain Financial Statement Note Disclosures". This results in a change in the format and content of the basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: (1) Government-Wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Activities presents information showing changes in the Authority's net assets during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by intergovernmental revenues (governmental activities). The governmental activities of the Authority include interest on long-term debt and arbitrage rebate. The Authority does not engage in business-type activities.

The government-wide financial statements exclusively present the Authority with no legally separate, discretely presented component units. The government-wide financial statements can be found beginning on page 8 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the Authority are combined into the governmental funds category.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances are reconciled within the government-wide statements to provide a comparison between governmental funds and governmental activities.

The Authority maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the Bond (debt service) Funds, which are considered to be major funds.

The basic governmental fund financial statements can be found beginning on page 10 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 14 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Since this is the first year of implementing and presenting government-wide financial statements, prior year comparisons will begin next fiscal year. For the current fiscal year, amounts will be presented for fiscal year 2002.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$3,064,913 at the close of the most recent fiscal year.

CITY OF SAN DIEGO/METROPOLITAN TRANSIT DEVELOPMENT BOARD AUTHORITY NET ASSETS

	Governmental Activities 2002
Current and Other Assets	\$ 54,306,486
Total Assets	54,306,486
Current and Other Liabilities Long –Term Debt Due within One Year Bonds Payable	676,573 6,685,000
Total Liabilities	<u>43,880,000</u> 51,241,573

Net Assets:	Governmental Activities 2002
Restricted for Debt Service	2,658,722
Unrestricted	406,191
Total Net Assets	\$ 3,064,913

Eighty-six percent of the Authority's total net asset represents resources that are subject to external restrictions on how they may be used.

Governmental Activities

Governmental activities increased the Authority's net assets by \$66,615. Key elements of this increase are as follows:

CITY OF SAN DIEGO/METROPOLITAN TRANSIT DEVELOPMENT BOARD AUTHORITY CHANGES IN NET ASSETS

_	Governmental Activities 2002	
Revenues:		
Revenues from Use of Money	\$	708,714
Lease Revenue from the City of San Diego		2,081,355
Total Revenues		2,790,069
Expenses:		
Issuance, Bond and Notes Interest on Long-Term Debt		2,723,454
Total Expenses		2,723,454
Change in Net Assets		66,615
Net Assets – July 1, 2001, as Restated		2,998,298
Net Assets – June 30, 2002	\$	3,064,913

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$12,408,893, and increase of \$66,615 from the prior year. This increase is primarily attributed to earnings on investments in the current year. Fund balance of \$12,002,702 is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service.

The Bond (Debt Service) Funds

Reserve Fund has a total fund balance of \$10,029,890, \$9,623,699 of which is reserved for payment of debt service. The net increase in fund balance during the current year in the fund was \$86,841.

Redemption Fund has a total fund balance of \$2,366,972, all of which is reserved for payment of debt service. The net decrease in fund balance during the current year in the fund was \$20,435.

Rebate Fund has a total fund balance of \$12,031, all of which is reserved for payment of the rebatable arbitrage. The net increase in fund balance during the current year in the fund was \$209.

DEBT ADMINISTRATION

Long-Term Debt

At the end of the current fiscal year, the Authority had total debt outstanding of \$50,565,000. The Authority's debt represents bonds secured solely by capital lease obligations with the City of San Diego.

CITY OF SAN DIEGO/METROPOLITAN TRANSIT DEVELOPMENT BOARD AUTHORITY OUTSTANDING DEBT

G	overnmental Activities
	2002
\$	50,565,000

Lease Revenue Bonds

Additional information on the Authority's long-term debt can be found in the accompanying notes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Auditor and Comptroller, 202 C Street, San Diego, CA 92101 or e-mailed to the City Auditor and Comptroller at auditor@sandiego.gov.

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET June 30, 2002

ASSETS	G	Total overnmental Funds	Adjus	stments	Statement Net Assets
Cash with Custodian/Fiscal Agent Investments at Fair Value Capital Lease Receivable Capital Lease Interest Receivable	\$	2,762,895 9,645,998 -	\$ 4	,221,020 676.573	\$ 2,762,895 9,645,998 41,221,020 676,573
TOTAL ASSETS	\$	12,408,893	41	,897,593	54,306,486
LIABILITIES Interest Accrued on Long - Term Debt Long-Term Debt Due Within One Year Bonds Payable	\$	- -		676,573 6,685,000 8,880,000	 676,573 6,685,000 43,880,000
TOTAL LIABILITIES FUND EQUITY		_	51	,241,573	 51,241,573
Fund Balances: Reserved for Debt Service Unreserved: Designated for Unrealized Gain		12,002,702 406,191	(12	(406,191)	-
TOTAL FUND EQUITY		12,408,893	(12	,408,893)	-
TOTAL LIABILITIES AND FUND EQUITY	\$	12,408,893			
Net Assets: Restricted for Debt Service Unrestricted TOTAL NET ASSETS			*****	,658,722 406,191 ,064,913	\$ 2,658,722 406,191 3,064,913

See Notes to Financial Statements.

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES Year Ended June 30, 2002

REVENUES	Total Governmental Funds	Adjustments	Statement of Activities
Earned Income on Investments Lease Revenue from the City of San Diego	\$ 708,714 8,550,085	\$ - (6,468,730)	\$ 708,714 2,081,355
TOTAL REVENUES	9,258,799	(6,468,730)	2,790,069
EXPENDITURES Debt Service:			
Principal Retirement	6,370,000	(6,370,000)	_
Interest	2,822,184	(98,730)	2,723,454
TOTAL EXPENDITURES	9,192,184	(6,468,730)	2,723,454
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	66,615		66,615
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	598,328 (598,328)	- - -	598,328 (598,328)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER			
EXPENDITURES AND OTHER FINANCING USES	66,615	-	66,615
Fund Balances/Net Assets, Beginning of the Year	12,342,278	(9,343,980)	2,998,298
FUND BALANCES/NET ASSETS, END OF THE YEAR	\$ 12,408,893	\$ (9,343,980)	\$ 3,064,913

See Notes to Financial Statements.

COMBINED BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2002

	Lease Re	1993 venue Bonds	1994 Refundings		
ASSETS	Reserve	Redemption	Reserve	Redemption	
Cash with Custodian/Fiscal Agent	\$ 49,864 1,269,756	\$ 830	\$ 334,028 8,376,242	\$ 2,366,142	
TOTAL ASSETS	\$ 1,319,620	\$ 830	\$ 8,710,270	\$ 2,366,142	
FUND EQUITY					
Fund Balances:					
Reserved for Debt Service	1,286,520	830	8,337,179	2,366,142	
Designated for Unrealized Gain	33,100	•	373,091		
TOTAL FUND EQUITY	1,319,620	830	8,710,270	2,366,142	
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,319,620	\$ 830	\$ 8,710,270	\$ 2,366,142	

See Notes to Financial Statements.

	1994	Total		
Ref	fundings	Gove	ernmental	
Reb	ate Fund		unds	
\$	12,031	\$	2,762,895	
			9,645,998	
\$	12,031	\$ 1	2,408,893	
	12,031	1	2,002,702	
	-		406,191	
	12,031	1	2,408,893	
\$	12,031	\$ 1	2,408,893	

Refu	994 ndings e Fund	Total Governmental Funds
\$	209	\$ 708,714 8,550,085
American Anni Palati y - y y y y y y y y y	209	9,258,799
	-	6,370,000 2,822,184
	-	9,192,184
	209	66,615
	-	598,328
		(598,328)
	209	66,615
	11,822	12,342,278
	12,031	\$ 12,408,893

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

1. ORGANIZATION AND OPERATIONS

The City of San Diego/Metropolitan Transit Development Board Authority (the "Authority") was established in fiscal year 1988 by a Joint Exercise of Powers Agreement between the City of San Diego (the "City") and the San Diego Metropolitan Transit Development Board ("MTDB"). MTDB was formed on January 26, 1976, to plan, construct and operate (or let contracts to operate) exclusive public mass transit guideways in the urbanized south coastal area of San Diego County and has certain responsibilities for near-term transportation planning and administration of federal and state transportation funds within the area under its jurisdiction. The Authority was created to acquire, construct, maintain, repair, manage, operate and control facilities, to provide public capital improvements including public mass transit guideways, public transit systems and related transportation facilities that primarily benefit the City and also assist MTDB in their regional transportation administration. The City appoints two of the Directors on the Authority's board and MTDB appoints one.

As of July 1, 2001, the Authority adopted the provisions of Governmental Standards Board ("GASB") Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus"; and GASB Statement No. 38, "Certain Financial Statement Note Disclosures". This results in a change in the format and content of the basic financial statements.

Since the City exercises oversight responsibility over the Authority, it is a component unit of the reporting entity of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The following is a summary of the more significant of such policies:

a. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Authority. Governmental activities are supported by contributions from the City pursuant to lease agreements. The Authority does not have business-type activities to separate from the governmental activities within the government-wide statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

The Authority maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the bond (debt service) funds, all of which are considered to be major funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized when the related fund liability is incurred except for principal and interest of general long-term debt which are recognized when due.

The following are the Authority's Funds:

<u>Debt Service Funds</u> - The Authority Debt Service Funds are used to account for the accumulation of resources for, and the payment of long-term debt principal, interest and related costs.

Accounting and financial reporting which are similar to those often found in the private sector are followed in both the government-wide and fund financial statements. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Authority adopts all applicable Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989, in accounting and reporting for its operations unless those pronouncements conflict with or contradict Governmental Accounting Standards Board ("GASB") pronouncements.

c. Cash and Investments

At July 1, 1997, the City and the Authority adopted Government Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires certain investments to be reported at fair value. At June 30, 2002, all such investments are presented at fair value.

d. Budgets

Annual budgets are not approved by the Authority. The project budget is adopted by the Metropolitan Transit Development Board and is not presented in this report.

3. RECONCILIATION OF GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS

a. Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Assets.

The government-wide Statement of Net Assets includes an adjustment column to reconcile Total Fund Balance - Governmental Funds to Total Net Assets - Governmental Activities. One of these adjustments is to add non-current assets including leases receivable that are not receivable in the current period and therefore are not reported in the fund financial statements. The details of this \$41,897,593 adjustment are as follows:

3. RECONCILIATION OF GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Leases Receivable \$41,221,020

Lease Interest Receivable 676,573

Net adjustment to increase Total Fund Balance - Governmental Funds to arrive at Total Net Assets - Governmental Activities

\$41,897,593

Another adjustment is for long-term liabilities, including bonds payable which are not due and payable in the current period and therefore are not reported in the funds. The details of this (\$51,241,573) adjustment are as follows:

Interest Payable 676,573

Long-Term Debt Due Within One Year 6,685,000

Bonds Payable 43,880,000

Net adjustment to decrease Total Fund Balance - Governmental Funds to arrive at Total Net Assets - Governmental Activities

\$51,241,573

b. Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities.

The government-wide Statement of Activities includes an adjustment for revenue received for the repayment of long term debt principal which provides current financial resources to governmental funds. The transaction, however, has no effect on net assets. The details of this (\$6,370,000) adjustment are as follows:

Lease Revenue from the City of San Diego

\$ 6,370,000

Net adjustment to decrease Net Changes in Fund Balances-Governmental Funds to arrive at Changes in Net Assets-Governmental Activities

\$ 6,370,000

Another adjustment is for revenues reported in the statement of activities that do not represent a source of current financial resources and therefore are not accrued as revenues in governmental funds. The details for this (\$98,730) adjustment are as follows:

Lease Revenue from the City of San Diego

98,730

Net adjustment to decrease Net Changes in Fund Balances-Governmental Funds to arrive at Changes in Net Assets-Governmental Activities

98,730

Another adjustment related to the issuance of long-term debt which provides current financial resources to governmental funds, while the repayment of the principal consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The details of this \$6,370,000 adjustment are as follows:

3. RECONCILIATION OF GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Principal Retirement \$ 6,370,000

Net adjustment to increase Net Changes in Fund Balances-Total Governmental Funds to arrive at Changes in Net Assets-Governmental Activities

\$ 6,370,000

Another adjustment is for expenses reported in the statement of activities that do not require the use of current financial resources and therefore are not accrued as expenses in governmental funds. The details of this \$98,370 adjustment are as follows:

Interest \$ 98,370

Net adjustment to increase Net Changes in Fund Balances-Total Governmental Funds to arrive at Changes in Net Assets-Governmental Activities

98,370

Another adjustment is for capital assets that should not include the unspent proceeds of capital debt, nor should the outstanding principal of capital-related debt include the debt associated with unspent proceeds.

Unspent Proceeds at June 30, 2002

\$ 9,343,980

Net adjustment to decrease Fund Balances - Total Governmental Funds to arrive at Net Assets of Governmental Activities

\$ 9,343,980

4. CASH AND INVESTMENTS

a. Cash with Custodian/Fiscal Agent

"Cash with Custodian/Fiscal Agent" represents funds held by bank trustees on behalf of the Authority for the purpose of holding and investing cash related to outstanding certificates of participation and lease revenue bonds and the payment of principal and interest to debtholders. Cash is received from the City pursuant to lease agreements and from earnings on investments.

b. Investments

Investments are stated at cost or amortized cost which approximates market. Gains or losses on investments are recognized upon sale of the investments. Investments at June 30, 2002 consist of United States Treasury securities, with a fair value of \$12,408,893. The City intends to hold its investments in United States Government Securities until maturity.

Deposits and investments are generally exposed to two types of risk; credit risk and market risk. Credit risk is the risk that a governmental entity will not be able (a) to recover deposits if the depository financial institution fails or (b) to recover the value of investment collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. Market risk that the value of an investment will decline.

4. CASH AND INVESTMENTS (Continued)

In accordance with governmental reporting standards, the Authority has classified its deposits and investments by categories of credit risk. Classification in category 1 indicates that the exposure of deposits and investments to potential credit risk is low. The level of potential credit risk is higher for deposits and investments classified in category 2, and highest for those in category 3.

Deposits may be categorized as follows: (1) Insured or collateralized with securities held by the entity or by its agent in the entity's name, (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entities name, (3) Uncollateralized.

Investments may be categorized as follows: (1) Insured or registered, with securities held by the entity or its agent in the entity's name, (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name, (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

Aggregate cash deposits and investments are as follows at June 30, 2002:

	Total
Cash with Custodian/Fiscal Agent	\$ 2,762,895
Investments (Fair Value)	9,645,998
Total	<u>\$12,408,893</u>

The Authority's deposits and investments as of June 30, 2002 subject to credit risk categorization are presented below:

	Category				
	1	2		3	Fair Value
<u>Deposits</u> Insured	\$2,762,895	\$	- \$	_	\$ 2,762,895
Investments U.S. Government Securities		9,645,99	<u>8</u>	_ _	9,645,998
Total Deposits and Investments	<u>\$2,762,895</u>	<u>\$9,645,99</u>	<u>18</u> \$		<u>\$12,408,893</u>

5. RECEIVABLES

The Authority has three capital leases with the City for equipment, vehicles and property. The Authority is lessor under each lease. One lease is for the Police Department facilities and equipment and the others are for the San Diego Light Rail Transit System, Bayside and Old Town Projects. The lessee obtained financing under bond issuance for construction and/or purchase of the equipment and facilities leased to the City. As the City will obtain title to these properties upon expiration of the lease terms, the leases have been classified and accounted for as capital leases. The total installment purchase receivables expected to be received within the current period is \$9,185,983.

6. LONG-TERM DEBT

Long-term debt consists of certificates of participation and lease revenue bonds. A summary of these obligations recorded in the long-term debt at June 30, 2002, is as follows:

Type of Obligation	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2002
MTDB Authority Lease Revenue Bonds of 1993, issued September 1, 1993	2.60-5.375%	2023	\$19,515,000	\$16,005,000
MTDB Authority Lease Revenue Refunding Bonds of 1994, issued April 1, 1994	4.25-5.625	2009	66,570,000	34,560,000
Total			<u>\$86,085,000</u>	<u>\$50,565,000</u>

The following is a summary of changes in long-term debt for the year ended June 30, 2002:

Type of Obligation	Balance July 1, 2001	<u>Additions</u>	Retirements	Balance June 30, 2002	Due Within One Year
Lease Revenue Bonds, Series 1993	\$16,430,000	\$ -	\$ 425,000	\$16,005,000	\$ 445,000
Lease Revenue Refunding Bonds,					
Series 1994	40,505,000	_	5,945,000	34,560,000	6,240,000
Total	\$56,935,000	\$ -	\$6,370,000	\$50,565,000	<u>\$6,685,000</u>

The annual requirements to amortize such long-term debt outstanding as of June 30, 2002, including interest payments to maturity are as follows:

Year Ending	Revenue Bonds				
June 30,	Principal	Interest			
2003	\$ 6,685,000	\$ 2,500,983			
2004	7,010,000	2,157,171			
2005	7,375,000	1,787,454			
2006	5,160,000	1,459,978			
2007	2,895,000	1,248,043			
2008-2012	10,995,000	3,966,284			
2013-2017	4,020,000	2,384,025			
2018-2022	5,210,000	1,195,505			
2023-2027	1,215,000	65,306			
Total	<u>\$ 50,565,000</u>	\$16,764,749			

7. RESTATEMENT OF BEGINNING BALANCES

As a result of changes in accounting policies and implementation of GASB No. 34, the fund balances and net assets as of June 30, 2001 have been restated as follows:

	Debt Service
Fund Balances/net assets, June 30, 2001, as previously reported	\$12,342,278
Adjustments	(9,343,980)
Fund Balances/net assets, June 30, 2001, as restated	<u>\$2,998,298</u>



CALDERON, JAHAM & OSBORN

AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Governors
City of San Diego Metropolitan Transit
Development Board Authority
San Diego, California

We have audited the component unit financial statements of the City of San Diego/Metropolitan Transit Development Board Authority (the "Authority") as of and for the year ended June 30, 2002, and have issued our report thereon dated November 27, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's component unit financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of component unit financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the component unit financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Governors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 27, 2002

Calduan, Johan + Osborn

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SUPPLEMENTAL INFORMATION (UNAUDITED)

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STATEMENT OF INVESTMENTS June 30, 2002

	Maturity Date	Nominal Interest Rate	 Par Value	pproximate larket Value	 Cost
Short-Term Investments United States Treasury Fund United States Treasury Fund	N/A 08/15/03 05/15/09	1.14 - 1.40% 6.60% 5.20%	\$ 2,762,895 7,975,000 1,200,000	\$ 2,762,895 8,376,242 1,269,756	\$ 2,762,895 8,003,152 1,236,656
TOTAL INVESTMENTS	•		\$ 11,937,895	\$ 12,408,893	\$ 12,002,703

STATEMENT OF BONDED DEBT June 30, 2002

1993 LEASE REVENUE BONDS

Maturities	Original Amount	Rate of Interest	Outstanding 7/1/2001	Retired 2001-02	Outstanding 6/30/2002
Issued September 1, 1993					
June 1, 1994	\$ 550,000	2.600%	\$ -	\$ -	\$ -
June 1, 1995	325,000	3.200%	-	-	-
June 1, 1996	335,000	3.500%	-	-	-
June 1, 1997	345,000	3.800%	-	-	-
June 1, 1998	360,000	4.100%	-	-	-
June 1, 1999	375,000	4.300%	-	-	-
June 1, 2000	390,000	4.400%	-	-	-
June 1, 2001	405,000	4.500%	-	-	-
June 1, 2002	425,000	4.600%	425,000	425,000	-
June 1, 2003	445,000	4.700%	445,000	-	445,000
June 1, 2004	465,000	4.750%	465,000	-	465,000
June 1, 2005	490,000	4.800%	490,000	-	490,000
June 1, 2006	510,000	4.900%	510,000	-	510,000
June 1, 2007	535,000	5.000%	535,000	-	535,000
June 1, 2008	565,000	5.000%	565,000	-	565,000
June 1, 2009	590,000	5.125%	590,000	-	590,000
June 1, 2010	620,000	5.200%	620,000	-	620,000
June 1, 2011	655,000	5.200%	655,000	-	655,000
June 1, 2012	685,000	5.250%	685,000	-	685,000
June 1, 2013	725,000	5.250%	725,000	-	725,000
June 1, 2018	4,230,000	5.300%	4,230,000	-	4,230,000
June 1, 2023	5,490,000	5.375%	5,490,000	_	5,490,000
TOTAL	\$ 19,515,000		\$ 16,430,000	\$ 425,000	\$ 16,005,000

STATEMENT OF BONDED DEBT June 30, 2002

1994 REFUNDINGS

Maturities	Original Amount	Rate of Interest	Outstanding 7/1/2001	Retired 2001-02	Outstanding 6/30/2002
September 1, 1994	\$ 885,000	4.250%	\$ -	\$ -	\$ -
September 1, 1995	4,000,000	4.250%	-	-	-
September 1, 1996	4,170,000	4.250%	-	-	-
September 1, 1997	3,615,000	4.300%	-	-	-
September 1, 1998	3,780,000	4.500%	-	-	-
September 1, 1999	3,950,000	4.700%	-	-	-
September 1, 2000	5,665,000	4.800%	-	-	-
September 1, 2001	5,945,000	4.900%	5,945,000	5,945,000	-
September 1, 2002	6,240,000	5.000%	6,240,000	-	6,240,000
September 1, 2003	6,545,000	5.100%	6,545,000	-	6,545,000
September 1, 2004	6,885,000	5.250%	6,885,000	-	6,885,000
September 1, 2005	4,650,000	5.300%	4,650,000	-	4,650,000
September 1, 2006	2,360,000	5.400%	2,360,000	-	2,360,000
September 1, 2007	2,490,000	5.500%	2,490,000	-	2,490,000
September 1, 2008	2,620,000	5.600%	2,620,000	-	2,620,000
September 1, 2009	2,770,000	5.625%	2,770,000		2,770,000
TOTAL	\$ 66,570,000		\$ 40,505,000	\$ 5,945,000	\$ 34,560,000
TOTAL BONDED DEBT	\$ 86,085,000		\$ 56,935,000	\$ 6,370,000	\$ 50,565,000

STATEMENT OF FUTURE DEBT REQUIREMENTS BY YEARS June 30, 2002

1993 Lease Revenue Bonds

Fiscal Year		Principal		Interest		Total	
2002-2003	\$	445,000	\$	836,352	\$	1,281,352	
2003-2004		465,000		815,437		1,280,437	
2004-2005		490,000		793,350		1,283,350	
2005-2006.		510,000		769,830		1,279,830	
2006-2007		535,000		744,840		1,279,840	
2007-2008		565,000		718,090		1,283,090	
2008-2009		590,000		689,840		1,279,840	
2009-2010		620,000		659,602		1,279,602	
2010-2011		655,000		627,363		1,282,363	
2011-2012		685,000		593,302		1,278,302	
2012-2013		725,000		557,340		1,282,340	
2013-2014		760,000		519,278		1,279,278	
2014-2015		800,000		478,998		1,278,998	
2015-2016		845.000		436.598		1,281,598	
2016-2017		890,000		391,813		1,281,813	
2017-2018		935,000		344.642		1,279,642	
2018-2019	********	985,000		295,088		1,280,088	
2019-2020		1,040,000		242,144		1,282,144	
2020-2021		1,095,000		186,244		1,281,244	
2021-2022		1,155,000		127,388		1,282,388	
2022-2023	***************************************	1,215,000		65,306		1,280,306	
TOTAL	s	16,005,000	\$	10,892,845	\$	26,897,845	

STATEMENT OF FUTURE DEBT REQUIREMENTS BY YEARS June 30, 2002

1994 Refundings

	Refundings					
Fiscal Year	Principal	Interest	Total			
2002-2003	\$ 6,240,000	\$ 1,664,630	\$ 7,904,630			
2003-2004	6,545,000	1,341,732	7,886,732			
2004-2005	6,885,000	994,104	7,879,104			
2005-2006	4,650,000	690,148	5,340,148			
2006-2007	2,360,000	503,203	2,863,203			
2007-2008	2,490,000	371,008	2,861,008			
2008-2009	2,620,000	229,173	2,849,173			
2009-2010	2,770,000	77,906	2,847,906			
TOTAL	\$ 34,560,000	\$ 5,871,904	\$ 40,431,904			
TOTAL FUTURE DEBT	\$ 50,565,000	\$ 16,764,749	\$ 67,329,749			

COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS GOVERNMENTAL FUNDS Year Ended June 30, 2002

	Debt Service					
	1993 Lease Revenue Bonds		-	94 ndings		
	Reserve	Redemption	Reserve	Redemption		
Cash with Custodian/Fiscal Agent, Beginning of the Year	<u>s</u> -	\$ 1	\$	\$ -		
RECEIPTS:						
Earned Income on Investments.	27.380	350	552,415	22,986		
Lease Income from the City of San Diego	-	1.252,595	-	7,297,490		
Sale of Investments	1,344,828	408,676	904,049	13,575,756		
Transfers from Other Funds		28,307	- _	570,021		
TOTAL RECEIPTS	1,372,208	1,689,928	1,456,464	21,466,253		
TOTAL AVAILABLE	1,372,208	1,689,929	1,456,464	21,466,253		
DISBURSEMENTS:						
Principal Payments	-	425.000	-	5,945,000		
Interest Payments	-	855,902	-	1,966,282		
Purchase of Investments	1,294.037	408,197	552,415	11,188,829		
Transfers to Other Funds	28,307	<u> </u>	570,021			
TOTAL DISBURSEMENTS	1,322,344	1,689,099	1,122,436	19,100,111		
CASH WITH CUSTODIAN/FISCAL AGENT, END OF THE YEAR	\$ 49,864	\$ 830	\$ 334,028	\$ 2,366,142		

Debt Service 1994 Refundings	
Rebate	Total
\$ -	\$ 1
209	603,340
-	8,550,085
12,031	16,245,340
~	598,328
12,240	25,997,093
12,240	25,997,094
-	6,370,000
-	2,822,184
209	13,443,687
	598,328
209	23,234,199
\$ 12,031	\$ 2,762,895